

APR 04 1995

Reprinted

WAYS & MEANS CALENDAR

HOUSE FILE 555

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 119)

Passed House, Date 4/20/95 (p. 1805) Passed Senate, Date _____
 Vote: Ayes 65 Nays 32 Vote: Ayes _____ Nays _____
 Approved _____

A BILL FOR

1 An Act relating to the deduction and credit for amounts paid for
 2 tuition and textbooks for elementary and secondary schools
 3 under the state individual income tax and providing effective
 4 and applicability date provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 555

1 Section 1. Section 422.9, subsection 2, paragraph f, Code
2 1995, is amended by striking the paragraph.

3 Sec. 2. Section 422.12, subsection 2, unnumbered paragraph
4 1, Code 1995, is amended to read as follows:

5 ~~For those who do not itemize their deductions, a~~ A tuition
6 credit equal to ~~five~~ seven percent of the first one thousand
7 dollars which the taxpayer has paid to others for each
8 dependent in grades kindergarten through twelve, for tuition
9 and textbooks of each dependent in attending an elementary or
10 secondary school situated in Iowa, which school is accredited
11 or approved under section 256.11, which is not operated for
12 profit, and which adheres to the provisions of the federal
13 Civil Rights Act of 1964 and chapter 216. As used in this
14 subsection, "textbooks" means books and other instructional
15 materials and equipment used in elementary and secondary
16 schools in teaching only those subjects legally and commonly
17 taught in public elementary and secondary schools in this
18 state and does not include instructional books and materials
19 used in the teaching of religious tenets, doctrines, or
20 worship, the purpose of which is to inculcate those tenets,
21 doctrines, or worship, and does not include books or materials
22 for extracurricular activities including sporting events,
23 musical or dramatic events, speech activities, driver's
24 education, or programs of a similar nature. Notwithstanding
25 any other provision, all other credits allowed under sections
26 422.12 and 422.12B shall be deducted before the tuition credit
27 under this subsection. The credit in this subsection does not
28 apply to a taxpayer whose net income, as properly computed for
29 state tax purposes, is ~~forty-five~~ ninety-five thousand dollars
30 or more. In the case where the taxpayer is married, whether
31 filing jointly or separately, the credit does not apply if the
32 combined net income of the taxpayer and spouse is ~~forty-five~~
33 ninety-five thousand dollars or more.

34 Sec. 3. This Act, being deemed of immediate importance,
35 takes effect upon enactment, and applies retroactively to

1 January 1, 1995, for tax years beginning on or after that
2 date.

3 EXPLANATION

4 The bill eliminates the income tax deduction for amounts
5 paid for tuition and textbooks for taxpayers who itemize
6 deductions. The bill increases the rate for the tuition and
7 textbook credit from 5 to 7 percent and makes the credit
8 available to taxpayers whose net income along with their
9 spouse's is less than \$95,000. The bill is effective upon
10 enactment and applies retroactively to tax years beginning on
11 or after January 1, 1995.

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**HOUSE FILE 555
FISCAL NOTE**

A fiscal note for **House File 555** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 555 eliminates the income tax deduction for amounts paid for tuition and textbooks for taxpayers who itemize deductions. The bill increases the rate for the tuition and textbook credit from 5.0% to 7.0% and makes the credit available to taxpayers whose net income is less than \$95,000. The bill is effective upon enactment and applies retroactively to January 1, 1995.

FISCAL IMPACT

The fiscal impact of House File 555 to the State General Fund will be a decrease of approximately \$360,000 in FY 1996 and subsequent fiscal years.

Source:
Legislative Tax Model
Department of Revenue and Finance

(LSB 1492hv, JAM)

FILED APRIL 6, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 555

H-3994

1 Amend House File 555 as follows:

2 1. Page 1, by inserting after line 2 the
3 following:

4 "Sec. ____ Section 422.12, subsection 1, Code
5 1995, is amended by adding the following new
6 paragraph:

7 NEW PARAGRAPH. f. For each dependent attending a
8 public elementary or secondary school in this state,
9 the amount of any fees charged for textbooks to be
10 used by the dependent."

By WARNSTADT of Woodbury

H-3994 FILED APRIL 20, 1995

lost (p. 1753)

HOUSE FILE 555

H-3998

1 Amend House File 555 as follows:

2 1. Page 1, line 29, by striking the words "~~forty-~~
3 ~~five ninety-five~~" and inserting the following:

4 "forty-five".

5 2. Page 1, lines 32 and 33, by striking the words

6 "~~forty-five ninety-five~~" and inserting the following:

7 "forty-five".

By SHOULTZ of Black Hawk
DODERER of Johnson
HARPER of Black Hawk

H-3998 FILED APRIL 20, 1995

lost (p. 1803)

HOUSE FILE 555

H-4000

- 1 Amend House File 555 as follows:
 2 1. Page 1, line 29, by striking the words "forty-
 3 five ninety-five" and inserting the following:
 4 "forty-five".
 5 2. Page 1, lines 32 and 33, by striking the words
 6 "forty-five ninety-five" and inserting the following:
 7 "forty-five".

By METCALF of Polk
 CONNORS of Polk

H-4000 FILED APRIL 20, 1995

0/0 (p. 1803)

HOUSE FILE 555

H-4002

- 1 Amend House File 555 as follows:
 2 1. Page 1, line 6, by striking the words "five
 3 seven" and inserting the following: "five".

By METCALF of Polk

H-4002 FILED APRIL 20, 1995

lost (p. 1802)

HOUSE FILE 555

H-4005

- 1 Amend House File 555 as follows:
 2 1. Page 1, line 33, by inserting after the word
 3 "more." the following: "The department shall annually
 4 audit the credit taken under this subsection on a
 5 sampling of tax returns."

By GRUNDBERG of Polk

H-4005 FILED APRIL 20, 1995

WITHDRAWN

*4-20-95
(p. 1803)*

HOUSE FILE 555

H-4006

- 1 Amend House File 555 as follows:
 2 1. Page 1, by striking lines 34 and 35 and
 3 inserting the following:
 4 "Sec. ____ . This Act takes effect".
 5 2. Page 2, line 1, by striking the figure "1995"
 6 and inserting the following: "1996".

By DODERER of Johnson
 HARPER of Black Hawk
 GRUNDBERG of Polk

H-4006 FILED APRIL 20, 1995

lost (p. 1804)

HOUSE FILE 555

H-4012

1 Amend House File 555 as follows:
2 1. Page 1, by inserting after line 2 the
3 following:
4 "Sec. ____ . Section 422.12, subsection 1, Code
5 1995, is amended by adding the following new
6 paragraph:
7 NEW PARAGRAPH. f. For each dependent attending a
8 public elementary or secondary school in this state,
9 the first twenty dollars of any fees charged for
10 textbooks to be used by the dependent."

By GRUNDBERG of Polk
MARTIN of Scott
JACOBS of Polk

H-4012 FILED APRIL 20, 1995

o/p (p. 1805)

HOUSE FILE 555

H-4016

1 Amend House File 555 as follows:
2 1. Page 1, by inserting after line 2 the
3 following:
4 "Sec. ____ . Section 422.12, subsection 1, Code
5 1995, is amended by adding the following new
6 paragraph:
7 NEW PARAGRAPH. f. For each dependent attending a
8 public elementary or secondary school in this state,
9 the first twenty dollars of any fees charged for
10 textbooks to be used by the dependent."

By GRUNDBERG of Polk JACOBS of Polk
MARTIN of Scott WARNSTADT of Woodbury

H-4016 FILED APRIL 20, 1995

lost (p. 1805)

HOUSE FILE 555

H-4017

1 Amend House File 555 as follows:
2 1. Page 1, line 33, by inserting after the word
3 "more." the following: "The department, when
4 conducting an audit of a taxpayer's return, shall also
5 audit the tuition tax credit portion of the tax
6 return."

By GRUNDBERG of Polk

H-4017 FILED APRIL 20, 1995

Adopted (p. 1803)

5/27/95 Do Pass
S. 4/12/96 Referred from Unfinished
Business Calendar to
W. & M. Committee

HOUSE FILE 555
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 119)

(As Amended and Passed by the House April 20, 1995)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the deduction and credit for amounts paid for
2 tuition and textbooks for elementary and secondary schools
3 under the state individual income tax and providing effective
4 and applicability date provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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House Amendments _____

1 Section 1. Section 422.9, subsection 2, paragraph f, Code
2 1995, is amended by striking the paragraph.

3 Sec. 2. Section 422.12, subsection 2, unnumbered paragraph
4 1, Code 1995, is amended to read as follows:

5 ~~For those who do not itemize their deductions,~~ a A tuition
6 credit equal to ~~five~~ seven percent of the first one thousand
7 dollars which the taxpayer has paid to others for each
8 dependent in grades kindergarten through twelve, for tuition
9 and textbooks of each dependent in attending an elementary or
10 secondary school situated in Iowa, which school is accredited
11 or approved under section 256.11, which is not operated for
12 profit, and which adheres to the provisions of the federal
13 Civil Rights Act of 1964 and chapter 216. As used in this
14 subsection, "textbooks" means books and other instructional
15 materials and equipment used in elementary and secondary
16 schools in teaching only those subjects legally and commonly
17 taught in public elementary and secondary schools in this
18 state and does not include instructional books and materials
19 used in the teaching of religious tenets, doctrines, or
20 worship, the purpose of which is to inculcate those tenets,
21 doctrines, or worship, and does not include books or materials
22 for extracurricular activities including sporting events,
23 musical or dramatic events, speech activities, driver's
24 education, or programs of a similar nature. Notwithstanding
25 any other provision, all other credits allowed under sections
26 422.12 and 422.12B shall be deducted before the tuition credit
27 under this subsection. The credit in this subsection does not
28 apply to a taxpayer whose net income, as properly computed for
29 state tax purposes, is ~~forty-five~~ ninety-five thousand dollars
30 or more. In the case where the taxpayer is married, whether
31 filing jointly or separately, the credit does not apply if the
32 combined net income of the taxpayer and spouse is ~~forty-five~~
33 ninety-five thousand dollars or more. The department, when
34 conducting an audit of a taxpayer's return, shall also audit
35 the tuition tax credit portion of the tax return.

1 Sec. 3. This Act, being deemed of immediate importance,
2 takes effect upon enactment, and applies retroactively to
3 January 1, 1995, for tax years beginning on or after that
4 date.

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HOUSE FILE 555
FISCAL NOTE

A fiscal note for House File 555 as amended by Amendment S-5549 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 555 eliminates the income tax deduction for amounts paid for tuition and textbooks for taxpayers who itemize deductions. The Bill increases the rate for tuition and textbook credit from 5.0% to 7.0% and makes the credit available to taxpayers with net income less than \$95,000. The Bill is effective upon enactment and applies retroactively to January 1, 1995.

Amendment S-5549 makes three substantive changes to HF 555. The Amendment would repeal the requirement that an eligible taxpayer earn less than \$45,000 and would increase the credit to 10.0% rather than the 7.0% provided in the Bill. The Amendment also changes the effective date to tax years beginning on or after January 1, 1996. Without the change in the effective date, the Bill would have an impact on FY 1996 revenues, and would result in a significant number of amended returns for the 1995 tax year.

FISCAL IMPACT

House File 555 as amended by S-5549 is expected to result in a decrease in revenues to the General Fund of approximately \$550,000 in FY 1997 and subsequent fiscal years.

SOURCE

Legislative Tax Model
Department of Revenue and Finance

(LSB 1492HV.2, JAM)

FILED APRIL 1, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 555
FISCAL NOTE**

A fiscal note for **House File 555 as amended by S-3624** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 555 eliminates the income tax deduction for amounts paid for tuition and textbooks for taxpayers who itemize deductions. The Bill increases the rate for tuition and textbook credit from 5.0% to 7.0% and makes the credit available to taxpayers with net income less than \$95,000. The Bill is effective upon enactment and applies retroactively to January 1, 1995.

Amendment S-3624 would retain the 7.0% credit and \$95,000 income ceiling, but would also add a provision for a tax credit for parents of public school students' textbook expenses up to \$20 per dependent student.

ASSUMPTIONS

1. There are approximately 505,000 public school students.
2. Approximately \$5.8 million is spent privately for public school textbooks; an average of \$11.50 per student. Although the actual distribution of textbook fees statewide is unknown, this estimate assumes the average credit per dependent would be approximately \$10.
3. This estimate assumes that 75.0% of taxpayers eligible for the credit will have tax liability to which the credit can be applied. These taxpayers would also be eligible to claim a 7.0% credit for textbook expenses.

FISCAL IMPACT

House File 555 as amended by S-3624 is expected to result in a decrease in revenues to the General Fund of approximately \$4.2 million in FY 1997 and subsequent fiscal years. Approximately \$3.8 million is directly attributable to the Amendment.

The Bill as amended exclusively by S-3624 would be retroactive to January 1, 1995. Thus, there may also be a significant impact in FY 1996, a large share of which may come in the form of amended returns. No estimate is available on the possible FY 1996 fiscal impact.

SOURCE

Legislative Tax Model
Department of Revenue and Finance

(LSB 1492HV.3, JAM)

FILED APRIL 3, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 555

S-5028

- 1 Amend House File 555, as amended, passed, and
 2 reprinted by the House, as follows:
 3 1. Page 1, by striking lines 27 through 33 and
 4 inserting the following: "under this subsection. The
 5 ~~credit-in-this-subsection-does-not-apply-to-a-taxpayer~~
 6 ~~whose-net-income, as properly computed for state tax~~
 7 ~~purposes, is forty-five thousand dollars or more. In~~
 8 ~~the case where the taxpayer is married, whether filing~~
 9 ~~jointly or separately, the credit does not apply if~~
 10 ~~the combined net income of the taxpayer and spouse is~~
 11 ~~forty-five thousand dollars or more. The department,~~
 12 when".
 13 2. Page 2, line 3, by striking the figure "1995"
 14 and inserting the following: "1996".

By LARRY MURPHY

S-5028 FILED JANUARY 30, 1996

HOUSE FILE 555

S-5549

- 1 Amend House File 555, as amended, passed, and
 2 reprinted by the House, as follows:
 3 1. Page 1, line 6, by striking the word "seven"
 4 and inserting the following: "ten".
 5 2. Page 1, by striking lines 27 through 33 and
 6 inserting the following: "under this subsection. The
 7 ~~credit-in-this-subsection-does-not-apply-to-a-taxpayer~~
 8 ~~whose-net-income, as properly computed for state tax~~
 9 ~~purposes, is forty-five thousand dollars or more. In~~
 10 ~~the case where the taxpayer is married, whether filing~~
 11 ~~jointly or separately, the credit does not apply if~~
 12 ~~the combined net income of the taxpayer and spouse is~~
 13 ~~forty-five thousand dollars or more. The department,~~
 14 when".
 15 3. Page 2, line 3, by striking the figure "1995"
 16 and inserting the following: "1996".

By LARRY MURPHY

S-5549 FILED MARCH 26, 1996

HOUSE FILE 555

S-3624

1 Amend House File 555, as amended, passed, and
 2 reprinted by the House, as follows:
 3 1. Page 1, by inserting after line 2 the
 4 following:
 5 "Sec. ____ . Section 422.12, subsection 1, Code
 6 1995, is amended by adding the following new
 7 paragraph:
 8 NEW PARAGRAPH. f. For each dependent attending a
 9 public elementary or secondary school in this state,
 10 the first twenty dollars of any fees charged for
 11 textbooks to be used by the dependent."

Adopted 4-3-96 (P.1211) - Motion to R/C by Murphy 4/3/96 (P.1215)
 By MARY E. KRAMER

S-3624 FILED APRIL 28, 1995

HOUSE FILE 555

S-3628

1 Amend House File 555, as amended, passed, and
 2 reprinted by the House, as follows:
 3 1. Page 1, line 29, by striking the words "~~forty-~~
 4 ~~five ninety-five~~" and inserting the following:
 5 "forty-five".
 6 2. Page 1, lines 32 and 33, by striking the words
 7 "~~forty-five ninety-five~~" and inserting the following:
 8 "forty-five".

By JOHNIE HAMMOND

S-3628 FILED APRIL 28, 1995

HOUSE FILE 555

S-3629

1 Amend House File 555, as amended, passed, and
 2 reprinted by the House, as follows:
 3 1. Page 1, by inserting after line 2 the
 4 following:
 5 "Sec. ____ . Section 422.12, subsection 1, Code
 6 1995, is amended by adding the following new
 7 paragraph:
 8 NEW PARAGRAPH. f. For each dependent attending a
 9 public elementary or secondary school in this state,
 10 the first twenty dollars of any fees charged for
 11 textbooks to be used by the dependent."

By JOHNIE HAMMOND

S-3629 FILED APRIL 28, 1995

HOUSE FILE 555

S-3631

1 Amend House File 555, as amended, passed, and
 2 reprinted by the House, as follows:
 3 1. Page 1, line 6, by striking the words "~~five~~
 4 ~~seven~~" and inserting the following: "five".

By JOHNIE HAMMOND

S-3631 FILED APRIL 28, 1995

HOUSE FILE 555

S-3632

1 Amend House File 555, as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 2, by striking lines 1 and 2 and
4 inserting the following:
5 "Sec. _____. This Act takes effect".
6 2. Page 2, line 3, by striking the figure "1995"
7 and inserting the following: "1996".

By JOHNIE HAMMOND

S-3632 FILED APRIL 28, 1995

HOUSE FILE 555

S-3633

1 Amend House File 555 as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 1, line 8, by striking the word "twelve"
4 and inserting the following: "twelve college or
5 university".
6 2. Page 1, line 11, by inserting after the figure
7 "256.11," and inserting the following: "or college or
8 university situated in Iowa,".
9 3. Page 1, line 16, by inserting after the word
10 "schools" the following: "or colleges and
11 universities".
12 4. Page 1, line 17, by inserting after the word
13 "schools" the following: "or colleges and
14 universities".
15 5. Title page, line 2, by inserting after the
16 word "schools" the following: "or colleges and
17 universities".

By JOHNIE HAMMOND
MARY NEUHAUSER
ROBERT DVORSKY

S-3633 FILED APRIL 28, 1995

HOUSE FILE 555

S-3634

1 Amend House File 555, as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 2, by striking lines 1 through 4 and
4 inserting the following:
5 "Sec. _____. This Act takes effect in the fiscal
6 year following the year in which the department of
7 revenue and finance has developed a report on the last
8 state tax revenue resulting from Iowa's tuition tax
9 deduction and credit and applies to tax years
10 beginning in or after that fiscal year."

By JOHNIE HAMMOND

S-3634 FILED APRIL 28, 1995

*Public Chair
Gries
Moderator*

HSB 119

WAYS AND MEANS
Succeeded by
SENATE FILE _____
BY (PROPOSED GOVERNOR'S BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the deduction and credit for amounts paid for
2 tuition and textbooks for elementary and secondary schools
3 under the state individual income tax and providing effective
4 and applicability date provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 422.9, subsection 2, paragraph f, Code
2 1995, is amended by striking the paragraph.

3 Sec. 2. Section 422.12, subsection 2, unnumbered paragraph
4 1, Code 1995, is amended to read as follows:

5 ~~For those who do not itemize their deductions, a~~ A tuition
6 credit equal to ~~five~~ seven percent of the first one thousand
7 dollars which the taxpayer has paid to others for each
8 dependent in grades kindergarten through twelve, for tuition
9 and textbooks of each dependent in attending an elementary or
10 secondary school situated in Iowa, which school is accredited
11 or approved under section 256.11, which is not operated for
12 profit, and which adheres to the provisions of the federal
13 Civil Rights Act of 1964 and chapter 216. As used in this
14 subsection, "textbooks" means books and other instructional
15 materials and equipment used in elementary and secondary
16 schools in teaching only those subjects legally and commonly
17 taught in public elementary and secondary schools in this
18 state and does not include instructional books and materials
19 used in the teaching of religious tenets, doctrines, or
20 worship, the purpose of which is to inculcate those tenets,
21 doctrines, or worship, and does not include books or materials
22 for extracurricular activities including sporting events,
23 musical or dramatic events, speech activities, driver's
24 education, or programs of a similar nature. Notwithstanding
25 any other provision, all other credits allowed under sections
26 422.12 and 422.12B shall be deducted before the tuition credit
27 under this subsection. ~~The credit in this subsection does not~~
28 ~~apply to a taxpayer whose net income, as properly computed for~~
29 ~~state tax purposes, is forty-five thousand dollars or more.~~
30 ~~In the case where the taxpayer is married, whether filing~~
31 ~~jointly or separately, the credit does not apply if the~~
32 ~~combined net income of the taxpayer and spouse is forty-five~~
33 ~~thousand dollars or more.~~

34 Sec. 3. This Act, being deemed of immediate importance,
35 takes effect upon enactment, and applies retroactively to

1 January 1, 1995, for tax years beginning on or after that
2 date.

3 EXPLANATION

4 The bill eliminates the income tax deduction for amounts
5 paid for tuition and textbooks for taxpayers who itemize
6 deductions. The bill increases the rate for the tuition and
7 textbook credit from 5 to 7 percent and makes the credit
8 available to all eligible taxpayers. The bill is effective
9 upon enactment and applies retroactively to tax years
10 beginning on or after January 1, 1995.

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